



March 19, 2009

BY FACSIMILE (202) 514-2836

Registration Unit
Counterespionage Section, Criminal Division
U.S. Department of Justice
Washington, D.C. 20530

Re: Ketchum Inc. (Registration #5758) – Informational Materials

Dear Sir/Madam:

Pursuant to the Foreign Agents Registration Act of 1938, attached please find informational materials disseminated by Ketchum on behalf of the Russian Federation.

If you require additional information, please feel free to contact me at 646-935-4058.

Regards,

Craig Mersky
General Counsel

CRM/CES/REGISTRATION UNIT

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RUSSIAN PROPOSALS TO THE LONDON SUMMIT

(April 2009)

The current global financial crisis has become a result of collapse of the existing financial system due to a poor management, which overlooked significant risks.

Global financial regulatory institutions failed to adequately respond to the developments in recent years, which confirmed that their activities do not meet the requirements of the today's multipolar world. Due to the lack of instruments to prevent and minimize the consequences of crises or tools to influence strategies applied by market actors, the world has faced serious economic shocks and, as a result, an increased global social instability.

It becomes even more difficult to provide comfortable housing, education, quality health care or even food to a sizeable proportion of humankind. Global economic growth that took place during the recent years barely affected the living conditions of the poorest population groups because of the crisis.

Russia proceeds from the assumption that, under globalization, a normal functioning of global economy requires a stable and predictable international monetary and financial system functioning in accordance with pre-determined rules and based on macroeconomic and financial discipline maintained by major global economies. The current crisis has demonstrated that maintenance of such a discipline remains a task which still has to be fulfilled both by sovereign States and leading companies active on global markets.

The current global economic crisis has demonstrated the need to abandon traditional approaches and adopt collective and internationally agreed decisions aimed essentially at developing a globalization process management system. We should take most resolute action to restore sustainable economic development as well as confidence and stability on financial markets.

At the London summit we ought to achieve agreement on the parameters of the new global finance architecture. In this respect we suggest that an international conference should be held after the London Summit to agree on the patterns of the new global finance architecture and result in adopting international conventions regarding a new global financial regulatory framework.

We believe that a new International Financial Architecture should be based on the following principles:

- compatibility of activities and standards of national and international regulatory institutions;
- democracy and equal responsibility for decision-making;
- achieving efficiency through legitimacy of international coordination mechanisms;
- transparency of all participants' activities;
- fair risks distribution.

Key areas for reforming the world financial regulatory system should be as follows:

1) Increasing the legitimacy and efficiency of international regulatory institutions on the basis of new conventions with a view to ensuring conformity and compatibility of economic strategies pursued by individual States.

The system of collective decision making can become efficient only when it is legitimated, i.e. it represents the interests of a wide range of participants. That is why the main goals and principles of reforms should be defined taking into account the opinion of all key world economies, both developed and developing.

The obsolescent unipolar world economic order should be replaced by a system based on the interaction of several major centers. But in order not to make the new multipolar world unpredictable it is necessary to strengthen the system of global regulators based on international law and the system of multilateral agreements. This is why it is so important to reconsider the role of major international organizations and institutions.

2) Strengthening the sustainability of the world financial system by developing a diversified system of reserve currencies and financial centers.

It is necessary to take into consideration that most countries of the world place their international reserves in international currencies and would like to be confident in their reliability. In their turn, the issuers of reserve and settlement currencies are objectively interested, in ensuring high demand for their bank notes and their credibility in other states. A mutual interest and mutual dependence are obvious. This is why a greater transparency of the countries issuing reserve currencies when they conduct their monetary policy is of fundamental importance. These countries should undertake obligations to be guided by international rules of macroeconomic and financial discipline.

3) Establishing an up-to-date risk management system consistent with financial technologies development.

The market participants should be able to adequately assess their counterparts, new unregulated markets and financial instruments and this requires a constant monitoring of the situation and strengthening of both supranational and national regulation and supervision of the financial sector.

4) Designing a system of incentives encouraging reasonable behavior of financial actors based on balanced assessment of risks and opportunities.

In this context, we support a number of suggestions and initiatives discussed by the working groups established for the implementation of the Washington Plan of Action.

We support the decision by the Washington Summit to refrain from any barriers hampering global trade and movement of capital. Even if a certain growth of protectionism proves to be unavoidable under the crisis circumstances we cannot afford any return to isolationism and economic egoism.

We support proposed interaction of IMF and FSF in crisis early warning as well as identification and mitigation of system risks and vulnerabilities. In our view, the results of research activities of those organizations relating to the existing vulnerabilities and risks should be summarized in a single joint report to be produced regularly, which would be discussed at IMFC or G-20 meetings and then published. We welcome the IMF planned review of its Financial Sector Assessment Program (FSAP) to include FSAP analysis in the IMF mechanism of supervisory practices and consultations under Article 4 of its Charter. We consider it of critical importance to define precisely a possible procedure for the use of "financial risk chat" and "global credit register" which, under certain circumstances, can themselves lead to crisis developments.

As for the adequacy and sufficiency of capital held by the financial institutions, we support the policy of raising general requirements for this capital, while paying special attention to its structure and assessing its components. Raising capital requirements should take into account the need to protect the competitiveness of national financial institutions and avoid aggravating current crediting problems.

On the whole, we support the search for solutions reducing the differences in the regulation of the existing financial market sectors: banking, insurance and securities. It is useful to pay more attention to the possibility of setting up regulatory models build on the idea of managing financial market risks, in

particular financial sustainability and stability risks, as well as risks related to behavior and unfair activity risks, rather than on dividing and grouping different activities. Additional attention should be paid to institutions and instruments falling beyond the scope of regulation.

The problem of remunerations (compensations) in the financial sector is a fundamental one. We support the intention to replicate best practices of corporate governance in financial institutions. It is important to enhance the accountability of the management of public companies to their shareholders and, when selecting top managers of financial organizations, to be strictly guided by criteria of professional competence and experience in risk management. The systems of remuneration should promote balanced risk assessment and stable positive results.

Proposals

1. Regulating macroeconomic and budgetary policies

We need to develop and adopt internationally agreed standards in the field of macroeconomic and budgetary policies which would be mandatory for leading global economies, including countries issuing reserve currencies.

2. Promoting domestic demand during the period of crisis

Presently, the G-20 countries are taking measures to promote domestic demand in their national economies. While recognizing the need of such anticrisis measures we consider it necessary to ensure that they are implemented in such a way that they would not hamper efforts needed to ensure mid-term and long-term macroeconomic sustainability as reflected in low inflation, reasonable budget deficit and public debt levels, etc.

Generally, we support plans to reduce a procyclical character of monetary and credit policies, i.e., the additional impact of the financial institutions' behavior on the course of an economic cycle.

In this regard it is necessary for regulators to take concerted actions aimed at restricting transactions and operations in the financial market at different stages of an economic cycle. Special attention should be paid to the so-called short sales, as well as other unsecured and marginal transactions. At the same time, given the special characteristics of different financial markets, it is necessary to strike the balance between own funds and borrowings while making a transaction with financial instruments.

3. Regulation and supervision

We regard, as the most important task in the regulation sphere, the need to reduce inconsistencies between a supra-national nature of instruments and institutes of financial markets and national character of regulators' activities.

For global economic development, we consider it important to both support the existing global financial markets and preserve financial product diversity and pluralistic approach of private capital to the development of complex financial instruments. At the same time, we stress the need to increase the roles of governmental and supra-national financial market regulators. It appears that activities of such regulators should be aimed primarily at reducing information asymmetries which grow due to increasing complexity of financial markets.

We believe that it is essential to elaborate and adopt an international agreement that would set global standards for regulation of and supervision over the financial sector – **Standard Universal Regulatory Framework (SURF)**.

Moreover, it is fundamentally important to devise monitoring mechanisms for the implementation of the said, agreement (perhaps on the basis of IMF). In our view, SURF should include:

- a. OECD standards;
- b. a unified financial reporting standard (the feasibility of adopting a unified accounting standard should be explored as well);
- c unified criteria to determine untrustworthy jurisdictions as well as measures to counter them;
- d. rules of exchanging the widest possible information concerning financial institutions and transactions (in particular, in the framework of supervisory boards) on a regular basis;
- e. simulation modeling of the cooperation among the supervisory bodies in a crisis setting;
- f. taking into account (or, perhaps, precedence of) national requirements for underlying assets when trading in derivatives in the foreign markets;
- g. a standard for the rating agencies' operations.

International efforts should aim at the adoption of global standards for the disclosure of information on the nature of financial instruments and market institutions activities. Financial statements, data on major transactions, merges and takeovers as well as information about top managers of companies, their professionalism, working experience and compensations, major share-holders and

other actors providing influence on decision-taking should be made available not only to governmental regulators but also to all potential investors and customers. Information on managers or owners *mala fide* whose actions have led to bankruptcy or non-execution of contracts should be made public. This relates not only to financial corporations but to real economic sector firms as well. Institutions which provide significant influence on the situation on global markets but which have for a long time been "in the shade" of global regulatory mechanisms (i.e. hedge funds, trusts, etc.) should also comply with common norms of transparency and public accountability.

Regulatory bodies fulfilling control functions in individual countries or market segments should develop a mechanism for prompt exchange of information on the activities of affiliated financial and industrial groupings and emerging system risks.

Operational, accounting and disclosure principles, as well as rules governing entry to and exit from markets should be harmonized among all major States. Regulatory system should not be as fragmented and clumsy as it appears presently.

We firmly support the suggestion on the need to intensify supervision of hedge funds, including requirements to the disclosure of information on transactions, interaction with banks etc.

At the same time, regulators themselves should, of course, be transparent for the public. This relates, *inter alia*, to the appointment of public officials and implementation of measures providing regulatory effect. This is particularly important when the role of State as an owner of market institutes temporarily grows and additional conflicts of interests emerge - those of the State as an owner and of the State as a regulator,

A major role should be assigned to self-regulation institutes which could undertake developing professional standards and codes of conduct and should assist in prejudicial resolution of disputes. Equal attention should be paid to the development of self-organization institutions of customers whose representatives could participate in private companies' boards of directors leveling off conflicts of interests between owners, managers and customers and thus promoting transparency of corporate activities.

A major role in providing information on the nature of market risks belongs to persons representing public professions, such as credit rating agencies, auditors, valuers, actuaries, financial consultants, underwriters, etc. It seems that all those

who provide such services professionally and make public assessments of activities carried out by third persons or of their assets should not only be themselves models of independence, competence and impartiality but should fully conform to the standards of transparency, accountability and responsibility. Those standards need to be developed as soon as possible.

To regulate potential interstate and commercial disputes and conflicts a system of competent international arbitration institutions should be established.

4. Reforming international monetary and financial system

In the present conditions, it is crucial to support calculations and pricing in multiple currencies whose issuers comply with international requirements. These should be applied to the level of economic and financial system development, budgetary and monetary policies, investment control and financial operations.

We call for a reform of the international monetary and financial system to enhance its stability and eliminate global economic disproportions (or to reduce the risk of their emergence). With this in view, we suggest that IMF (or an Ad Hoc Working Group of G-20) should be instructed to carry out specific studies to review the following options:

Enlargement (diversification) of the list of currencies used as reserve ones, based on agreed measures to promote the development of major regional financial centers. In this context, we should consider possible establishment of specific regional mechanisms which would contribute to reducing volatility of exchange rates of such reserve currencies.

Introduction of a supra-national reserve currency to be issued by international financial institutions. It seems appropriate to consider the role of IMF in this process and to review the feasibility of and the need for measures to ensure the recognition of SDRs as a "supra-reserve" currency by the whole world community.

The obligation to diversify currency structure of the reserves and operations of national banks and international financial organizations should also be provided for.

In our view, it would be appropriate to submit the results of those studies to the Ministers of Finance and Presidents of the Central Banks of the G-20 States with a view to define the most efficient additional steps to harmonize the existing national monetary policies and to implement an efficient reform of IMF.

We also believe that discussion of the elaborating harmonized rules of "clearing" transborder debts, including by way of coordinating the actions of countries "representing" creditors and debtors, can be launched as part of our action on countering financial protectionism.

5. Reforming international financial institutions

In the mid- and long-term perspective, we stand for revising the IMF role and mandate so as to adapt it to a new global monetary and financial architecture which apparently will be modified as a result of the current crisis.

In order to overcome the current crisis, IMF resources should be significantly increased. We believe that the Fund should have sufficient funds to fulfill its creditor's functions. We also deem it necessary to develop new credit facilities that could help assist countries facing financial problems.

In the short term, IMF should accomplish its reform of quotas and voice through redistributing quotas and voice in favour of emerging economies and developing countries. Judging by the results of the first phase of the reform accomplished last April, its goals have not been achieved yet. In this context, we consider it appropriate to cancel the package of decisions on the reform of quotas and voice agreed upon last April, and to continue work within IMF with a view to submitting for ratification a more radical reform option that would better reflect the present balance of powers in the global economy. The IMF quota formula should also be changed in order to reflect accordingly the economic weights of Member States.

Moreover, we deem it appropriate to establish regional funds and mechanisms to finance economic development and resolve crises with a capital to be provided by States of a given region. Those funds could be used to provide loans while IMF, World Bank and regional development banks could be involved in co-financing. The EurAsEC anti-crisis fund to be established in accordance with the multilateral agreement, presently under preparation, could serve as an example of such a regional fund.

We consider it crucial to resolve the issue of enlarging the membership of the Financial Stability Forum (FSF) before the Summit to be held on April 2. This step would reaffirm the commitment of G-20 to its obligations assumed last November in Washington. FSF together with the key national and international regulating and supervisory bodies acting now under its auspices is a principal

institution to tackle issues of integrity and transparency of financial markets. The fact that Russia and "blackbone" emerging economies are not among its members hampers discussions of issues related to establishing supervisory boards, crisis early warning system, identification and mitigation of systemic risks, as well as the rapprochement of positions on negotiating standards of accounting, auditing, deposit insurance, bankruptcy procedure, etc.

We believe we should consider whether it would be practical to transfer some of the following functions to other supra-national structures not associated with the IMF:

- monitoring and establishment of a crisis early warning system on the basis of a constantly updated evaluation of systemic risks;
- serving as a global lender of last resort;
- monitoring of the SURF implementation;
- acting as the issuer of a global reserve currency.

The proposals to reform the international monetary system and international financial institutions should be discussed and analyzed in detail, probably within the IMF.

We believe that in order to ensure that this process receives the best expert assistance it would be advisable to go back to discussing the establishment of an international commission of competent independent experts ("financial gurus").

6. Development financing

We consider it critically important to preserve the recent steady upward trends in financing development, to provide support to developing countries, the majority of which were heavily hit by the current crisis, and to prevent the recurrence of the events of the 1990s when a global economic recession led to a significant reduction in the assistance provided (by over 20 per cent). We deem it necessary to ensure that donor countries, international organizations, and partner States come together in order to prevent a situation when a financial crisis could trigger a crisis in the field of development assistance. In the context of the crisis, we also consider it appropriate to focus on providing aid to the poorest and most vulnerable population groups in developing countries as well as on financing infrastructure projects which are fundamental for economic growth while helping solve the unemployment problem.

7. Financial literacy of the population

We consider it appropriate that measures to ensure long- and short-term financial stability and well-being of the population and to improve protection of consumer rights should include development and launch of targeted public awareness raising programs on financial issues both at a national level and internationally.

8. Implementing the energy efficient growth concept

The decisions to be taken at the London summit should not just be adequate to the current situation but also take into account the needs of the new post-crisis world.

At the stage of crisis recovery, the global economy may, among others things, face the shortage of energy resources and, thus, the risk of the "de-energizing" future growth. There will be less investments, on the one hand, in energy conservation and alternative sources of energy and, on the other, in oil production that will trigger its inevitable decline, which will finally result in yet another uncontrolled price increase at the stage of economic revival.

At the same time, the current crisis can turn global energy security into a source of future growth.

This is why, while in no way diminishing the significance of the low-carbon development, we, at the same time, believe that in the post-crisis period the emphasis should be made on the concept of energy efficient growth.

The integral components of the concept should include the following:

- energy saving;
- reduction of price volatility through ensuring credibility and interdependence among the producers, consumers and transit countries of the energy resources;
- greater role of nuclear and modern renewable sources of energy; development of new energy technologies.